

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT TACOMA

MITCHELL ARCIAGA, JOSEPH MASSELI,  
VIMAL MATHIMARAN, individually and on  
behalf of all others similarly situated,

Plaintiff,

v.

BARRETT BUSINESS SERVICES, INC.,  
MICHAEL L. ELICH, and JAMES D.  
MILLER,

Defendants.

No. 14-5884

**COMPLAINT—CLASS ACTION—  
FOR VIOLATIONS OF FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Plaintiffs Mitchell Arciaga, Joseph Masseli, and Vimal Mathimaran, by and through their attorneys, allege the following upon information and belief, except as to those allegations concerning Plaintiffs, which are alleged upon personal knowledge. Plaintiffs' information and belief is based on, among other things, their counsel's investigation, which includes without limitation (a) review and analysis of regulatory filings made by Barrett Business Services, Inc. ("BBSI" or the "Company") with the United States Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by BBSI; and (c) review of other publicly available information concerning BBSI.

**NATURE OF THE ACTION AND OVERVIEW**

1. This is a class action on behalf of purchasers of BBSI securities between February 12, 2013 and October 29, 2014, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. BBSI is a provider of business management solutions, combining human resource outsourcing and professional management consulting for its operational platform. The Company’s integrated platform is built upon its purported expertise in payroll processing, employee benefits, workers’ compensation coverage, risk management and workplace safety programs, and human resource administration.

3. On October 28, 2014, after the market closed, BBSI revealed that in the third quarter of 2014, the Company recorded an additional increase to its self-insured workers’ compensation reserve of \$80 million, or \$47.9 million after tax, which effectively wiped out the Company’s past five years of pretax earnings. According to the Company, the increase represented approximately 38% of the Company’s total workers’ compensation reserve, bringing the liability up to \$208.3 million at September 30, 2014. Taking into account the effect of this expense, the Company reported a net loss in the third quarter of 2014 of \$37.8 million compared to net income of \$9 million in the year-ago quarter.

4. On this news, shares of BBSI declined \$26.18 per share, nearly 59%, to close on October 29, 2014, at \$18.28 per share, on unusually heavy volume.

5. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company’s business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose: (1) that the Company under accrued its self-insured workers’ compensation reserves; (2) that, as a result, the Company overstated its earnings; (3) that the Company lacked adequate internal and financial controls; and (4) that, as a result of the foregoing, Defendants’ statements were materially false and misleading at all relevant times.



13. Defendant Michael L. Elich (“Elich”) was, at all relevant times, Chief Executive Officer (“CEO”) and a director of BBSI.

14. Defendant James D. Miller (“Miller”) was, at all relevant times, Chief Financial Officer (“CFO”) of BBSI.

15. Defendants Elich and Miller are collectively referred to hereinafter as the “Individual Defendants.” The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of BBSI’s reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each defendant was provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

## SUBSTANTIVE ALLEGATIONS

### Background

16. BBSI is a provider of business management solutions, combining human resource outsourcing and professional management consulting for its operational platform. The Company’s integrated platform is built upon its purported expertise in payroll processing, employee benefits, workers’ compensation coverage, risk management and workplace safety programs, and human resource administration.

**Materially False and Misleading  
Statements Issued During the Class Period**

17. The Class Period begins on February 12, 2013. On this day, BBSI issued a press release entitled, “BBSI Reports Fourth Quarter and Full Year 2012 Financial Results.” Therein, the Company, in relevant part, stated:

*- 41% Increase in Q4 Gross Revenues to \$597 Million Drives Diluted Earnings per Share of \$0.80 -*

Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the fourth quarter and full year ended December 31, 2012.

**Fourth Quarter 2012 Financial Highlights vs. Year-Ago Quarter**

- Net revenues increased 34% to \$113.7 million
- Gross revenues increased 41% to \$596.7 million
- Net income increased to \$5.8 million or \$0.80 per diluted common share, compared to a net loss of \$93,000 or \$(0.01) per diluted common share

**Fourth Quarter 2012 Financial Results**

Net revenues in the fourth quarter of 2012 increased 34% to \$113.7 million, compared to \$84.7 million in the fourth quarter of 2011.

Total non-GAAP gross revenues in the fourth quarter of 2012 increased 41% to \$596.7 million, compared to \$423.6 million in the fourth quarter of 2011 (see “Reconciliation of Non-GAAP Financial Measures” below). The increase is due primarily to the continued build in the Company’s Professional Employer Organization (PEO) client count and same-store sales growth.

Net income in the fourth quarter of 2012 increased to \$5.8 million or \$0.80 per diluted common share, compared to a net loss of \$93,000 or \$(0.01) per diluted common share in the year-ago quarter. The fourth quarter of 2011 included an increase to the workers’ compensation reserve of approximately \$8.5 million and

1 the benefit of a lower annual effective income tax rate resulting from the non-  
2 taxable \$10.0 million of key man life insurance proceeds received following the  
3 passing of the Company's former president and CEO. Excluding these items, non-  
4 GAAP net income in the fourth quarter of 2011 was \$4.1 million or \$0.41 per  
5 diluted common share (see "Reconciliation of Non-GAAP Financial Measures"  
6 below).

7 At December 31, 2012, the Company's cash, cash equivalents and marketable  
8 securities totaled \$72.4 million, compared to \$81.8 million at December 31, 2011.  
9 During 2012, the Company repurchased 3.0 million shares of its common stock  
10 for \$59.7 million, which included the redemption of \$34.8 million of preferred  
11 shares issued to finance the repurchase. The completion of the repurchase was  
12 financed using a combination of cash on hand and availability under a new  
13 revolving credit facility provided by its principal bank. At December 31, 2012,  
14 total debt was \$10.0 million, which included \$4.5 million outstanding on the  
15 Company's revolving credit line.

### 16 **Full Year 2012 Financial Results**

17 Net revenues in 2012 increased 28% to \$402.7 million, compared to \$314.9  
18 million in 2011. Total non-GAAP gross revenues in 2012 increased 36% to \$2.1  
19 billion, compared to \$1.5 billion in 2011. The increase was primarily attributable  
20 to the previously discussed increase in net PEO clients and same-store sales  
21 growth.

22 Net income in 2012 was \$13.1 million or \$1.67 per diluted common share,  
23 compared to net income of \$14.3 million or \$1.41 per diluted common share in  
24 2011. Excluding \$460,000 of incremental legal and professional fees associated  
25 with the response to requests for a special stockholders meeting, non-GAAP net  
26 income in 2012 was \$13.4 million or \$1.71 per diluted common share. Net  
27 income in 2011 included \$10.0 million of key man life insurance proceeds  
received following the passing of the Company's former president and CEO, a  
lower annual effective income tax rate resulting primarily from these proceeds  
and the \$8.5 million increase to workers' compensation reserve. Excluding these  
non-recurring items, non-GAAP net income in 2011 was \$9.0 million or \$0.89 per  
diluted share.

### 28 **Management Commentary**

1 “The fourth quarter was a continuation of the positive trends we experienced in  
 2 the first three quarters of 2012,” said Michael Elich, president and CEO of BBSI.  
 3 “These include our strong referral channels driving new business, solid organic  
 4 growth from continuing customers and the overall maturation of our brand. We  
 5 also continued investing in our operational infrastructure and professional talent,  
 6 which has played an integral role in supporting our growth and maintaining our  
 7 greater than 90% client retention rate. We expect these growth drivers to continue  
 8 as we move through 2013 and remain committed to investing in the business to  
 9 ultimately support a larger and more mature company.”

### 10 **First Quarter 2013 Outlook**

11 For the first quarter of 2013, the Company expects gross revenues to range  
 12 between \$585 million and \$590 million, compared to \$432.1 million for the first  
 13 quarter of 2012. Net loss per common share in the first quarter of 2013 is  
 14 expected to range between \$(0.36) and \$(0.40), which includes the effect of the  
 15 decrease in outstanding shares as a result of the Company’s 3.0 million share  
 16 repurchase, compared to a net loss per common share of \$(0.22) in the year-ago  
 17 quarter. The first quarter of 2012 included \$460,000 of incremental legal and  
 18 professional fees from the previously mentioned special stockholders meeting.  
 19 Excluding these fees, non-GAAP net loss for the first quarter of 2012 was \$1.9  
 20 million or \$(0.19) per common share.

21 The Company historically incurs losses in the first quarter due to the higher  
 22 effective payroll taxes at the beginning of each year.

23 18. On March 15, 2013, BBSI filed its Annual Report with the SEC on Form 10-Q for  
 24 the 2012 fiscal year. The Company’s Form 10-K was signed by Defendants Elich and Miller,  
 25 and reaffirmed the Company’s financial results previously announced on February 12, 2013.  
 26 The Form 10-K also contained required Sarbanes-Oxley certifications, signed by Defendants  
 27 Elich and Miller, who certified:

1. I have reviewed this Annual Report on Form 10-K of Barrett Business Services, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to

1 make the statements made, in light of the circumstances under which such  
2 statements were made, not misleading with respect to the period covered  
3 by this annual report;

4 3. Based on my knowledge, the financial statements, and other financial  
5 information included in this annual report, fairly present in all material  
6 respects the financial condition, results of operations and cash flows of the  
7 Registrant as of, and for, the periods presented in this annual report;

8 4. The Registrant's other certifying officer and I are responsible for  
9 establishing and maintaining disclosure controls and procedures (as  
10 defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal  
11 control over financial reporting (as defined in Exchange Act Rules 13a-  
12 15(f) and 15d-15(f)) for the Registrant and have:

13 a. designed such disclosure controls and procedures, or caused such  
14 disclosure controls and procedures to be designed under our  
15 supervision, to ensure that material information relating to the  
16 Registrant, including its consolidated subsidiaries, is made known  
17 to us by others within those entities, particularly during the period  
18 in which this annual report is being prepared;

19 b. designed such internal control over financial reporting, or caused  
20 such internal control over financial reporting to be designed under  
21 our supervision, to provide reasonable assurance regarding the  
22 reliability of financial reporting and the preparation of financial  
23 statements for external purposes in accordance with generally  
24 accepted accounting principles;

25 c. evaluated the effectiveness of the Registrant's disclosure controls  
26 and procedures and presented in this annual report our conclusions  
27 about the effectiveness of the disclosure controls and procedures,  
as of the end of the period covered by this report, based on such  
evaluation; and

d. disclosed in this report any change in the Registrant's internal  
control over financial reporting that occurred during the  
registrant's most-recent fiscal quarter (the registrant's fourth fiscal  
quarter in the case of an annual report) that has materially affected,



or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

- a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

19. On April 23, 2013, BBSI issued a press release entitled, "BBSI Reports First Quarter 2013 Financial Results." Therein, the Company, in relevant part, stated:

**Q1 Net Revenues up 35% to \$112 Million; Non-GAAP Gross Revenues up 37% to \$591 Million**

Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the first quarter ended March 31, 2013.

**First Quarter 2013 Financial Summary vs. Year-Ago Quarter**

Net revenues up 35% to \$111.6 million

Gross revenues up 37% to \$591.2 million

Net loss of \$2.5 million or \$(0.36) per diluted share compared to a net loss of \$2.2 million or \$(0.22) per diluted share

**First Quarter 2013 Financial Results**

1 Net revenues in the first quarter of 2013 increased 35% to \$111.6 million  
2 compared to \$82.4 million in the first quarter of 2012.

3 Total non-GAAP gross revenues in the first quarter of 2013 increased 37% to  
4 \$591.2 million compared to \$432.1 million in the first quarter of 2012 (see  
5 “Reconciliation of Non-GAAP Financial Measures” below). The increase is due  
6 primarily to the continued build in the Company’s co-employed client count and  
7 same-store sales growth.

8 Net loss for the first quarter was \$2.5 million or \$(0.36) per diluted share  
9 compared to a net loss of \$2.2 million or \$(0.22) per diluted share in the year-ago  
10 quarter. The first quarter of 2013 reflected approximately 3.0 million fewer  
11 common shares outstanding when compared to the year-ago quarter due to the  
12 Company’s repurchase of approximately 2.5 million shares from the Estate of  
13 William W. Sherertz, as well as 500,000 shares from Nancy Sherertz, on March  
14 28, 2012. The Company historically incurs losses in the first quarter due to the  
15 higher effective payroll taxes at the beginning of each year.

16 On March 31, 2013, the Company’s cash, cash equivalents and marketable  
17 securities totaled \$78.3 million compared to \$72.4 million at December 31, 2012.  
18 At March 31, 2013, the Company had no outstanding borrowings on its revolving  
19 credit facility.

## 20 **Management Commentary**

21 “The solid momentum we built throughout 2012 continued into the first quarter of  
22 2013, as shown by our fifth consecutive quarter of gross revenue growth greater  
23 than 30%,” said Michael Elich, president and CEO of BBSI. “This growth can be  
24 attributed to a variety of factors, including continued strength in our referral  
25 channels, our high client retention rate and the maturation of our brand in the  
26 marketplace. Given this acceleration, we will continue to prudently invest in our  
27 operational infrastructure and professional talent throughout 2013 to support a  
much larger organization as we grow.”

## 28 **Second Quarter 2013 Outlook**

29 For the second quarter of 2013, the Company expects gross revenues to grow at  
30 least 28% to between \$630 million and \$635 million compared to \$494.1 million  
31 for the second quarter of 2012. Diluted income per common share in the second

1 quarter of 2013 is expected to range between \$0.68 and \$0.72 compared to \$0.53  
2 in the second quarter of 2012.

3 20. On May 9, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q for  
4 the 2013 fiscal first quarter. The Company's Form 10-Q was signed by Defendant Miller, and  
5 reaffirmed the Company's financial results previously announced on April 23, 2013. The Form  
6 10-Q also contained required Sarbanes-Oxley certifications, signed by Defendants Elich and  
7 Miller, substantially similar to those contained in ¶ 18.

8 21. On July 23, 2013, BBSI issued a press release entitled, "BBSI Reports Second  
9 Quarter 2013 Financial Results." Therein, the Company, in relevant part, stated:

10 **Q2 Net Revenues Up 35% to \$128.8 Million Drives 51% Increase in Diluted**  
11 **Earnings per Share to \$0.80**

12 Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a  
13 leading provider of business management solutions, reported financial results for  
14 the second quarter ended June 30, 2013.

15 ***Second Quarter 2013 Financial Summary vs. Year-Ago Quarter:***

16 Net revenues up 35% to \$128.8 million  
17 Gross revenues up 37% to \$675.0 million  
18 Net income increased 57% to \$5.9 million  
19 Diluted earnings per share increased 51% to \$0.80

20 ***Second Quarter 2013 Financial Results***

21 Net revenues in the second quarter of 2013 increased 35% to \$128.8 million  
22 compared to \$95.5 million in the second quarter of 2012. The increase was due  
23 primarily to the continued build in the Company's co-employed client count and  
24 same-store sales growth.

25 Total non-GAAP gross revenues in the second quarter of 2013 increased 37% to  
26 \$675.0 million compared to \$494.1 million in the second quarter of 2012 (see  
27 "Reconciliation of Non-GAAP Financial Measures" below).

1 Net income for the second quarter of 2013 increased 57% to \$5.9 million  
 2 compared to net income of \$3.7 million in the year-ago quarter. Diluted earnings  
 3 per share in the second quarter of 2013 increased 51% to \$0.80 compared to \$0.53  
 per diluted share in the year-ago quarter.

4 During the second quarter of 2013, the Company posted \$63.9 million in  
 5 restricted investments to collateralize a letter of credit issued to satisfy a surety  
 6 requirement for its self-insured workers' compensation program in the state of  
 7 California. As a result, on June 30, 2013, the Company's cash, cash equivalents  
 8 and marketable securities totaled \$18.6 million compared to \$72.4 million at  
 December 31, 2012. At June 30, 2013, the Company had no outstanding  
 borrowings on its revolving credit facility.

### 9 ***Management Commentary***

10  
 11 "The second quarter's gross revenue figure was the highest in our company's  
 12 history and the sixth consecutive quarter we grew gross revenues by more than  
 13 30%," said Michael Elich, president and CEO of BBSI. "We continue to see our  
 14 strong referral channels drive new business, increased organic growth from  
 existing clients, and heightened brand awareness within our markets. Investments  
 15 in our operational infrastructure were an important contributor to the quarter's  
 results and will continue to be a strategic focus as we prepare for future growth.  
 16 Ultimately, we are confident BBSI's brand will continue to mature in the  
 marketplace."

### 17 ***Third Quarter 2013 Outlook***

18  
 19 For the third quarter of 2013, the Company expects gross revenues to increase at  
 20 least 31% to between \$730.0 million and \$735.0 million compared to \$558.0  
 21 million for the third quarter of 2012. Diluted income per common share in the  
 22 third quarter of 2013 is expected to increase at least 30% to between \$1.05 and  
 \$1.10 compared to \$0.81 in the third quarter of 2012.

23  
 24 22. On August 8, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q  
 25 for the 2013 fiscal second quarter. The Company's Form 10-Q was signed by Defendant Miller,  
 26 and reaffirmed the Company's financial results previously announced on July 23, 2013. The  
 27

Form 10-Q also contained required Sarbanes-Oxley certifications, signed by Defendants Elich and Miller, substantially similar to those contained in ¶ 18.

23. On October 29, 2013, BBSI issued a press release entitled, “BBSI Reports Third Quarter 2013 Financial Results.” Therein, the Company, in relevant part, stated:

**Q3 Net Revenues up 33% to \$148.0 Million Drives 49% Increase in Diluted Earnings per Share to \$1.21**

Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the third quarter ended September 30, 2013.

***Third Quarter 2013 Financial Highlights vs. Year-Ago Quarter***

Net revenues up 33% to \$148.0 million  
Gross revenues up 37% to \$764.1 million  
Net income increased 55% to \$9.0 million  
Diluted earnings per share increased 49% to \$1.21

***Third Quarter 2013 Financial Results***

Net revenues in the third quarter of 2013 increased 33% to \$148.0 million compared to \$111.1 million in the third quarter of 2012. The increase was due primarily to the continued build in the Company’s co-employed client count and same-store sales growth.

Total non-GAAP gross revenues in the third quarter of 2013 increased 37% to \$764.1 million compared to \$558.0 million in the third quarter of 2012 (see “Reconciliation of Non-GAAP Financial Measures” below).

Net income in the third quarter of 2013 increased 55% to \$9.0 million compared to net income of \$5.8 million in the year-ago quarter. Diluted earnings per share in the third quarter of 2013 increased 49% to \$1.21 compared to \$0.81 per diluted share in the year-ago quarter.

At September 30, 2013, the Company’s cash, cash equivalents and marketable securities totaled \$48.0 million, compared to \$72.4 million at December 31, 2012.

During the second quarter of 2013, the Company posted \$63.9 million in restricted certificates of deposit to collateralize a letter of credit issued to satisfy a surety requirement for its self-insured workers' compensation program in the state of California. At September 30, 2013, the Company had no outstanding borrowings on its revolving credit facility.

### ***Management Commentary***

"During the third quarter, gross revenues grew by more than 30% for the seventh consecutive quarter and were the highest in the company's history by nearly \$90 million," said Michael Elich, president and CEO of BBSI. "We continue to mature BBSI's brand in the marketplace complemented by our strong referral channels helping to drive new business as well as healthy organic growth from our existing client base. Our three-tier partnership platform and operational focus also continues to drive an industry-leading 90+% retention rate. While we are pleased with the quarter's strong results, it is important to note that we continue to reinvest in our company to ultimately support a much larger and more mature organization."

### ***Fourth Quarter 2013 Outlook***

For the fourth quarter of 2013, the Company expects gross revenues to increase at least 30% to between \$780 million and \$790 million compared to \$596.7 million in the fourth quarter of 2012. Diluted income per common share in the fourth quarter of 2013 is expected to increase at least 43% to between \$1.15 and \$1.20 compared to \$0.80 in the fourth quarter of 2012.

24. On November 8, 2013, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the 2013 fiscal third quarter. The Company's Form 10-Q was signed by Defendant Miller, and reaffirmed the Company's financial results previously announced on October 29, 2013. The Form 10-Q also contained required Sarbanes-Oxley certifications, signed by Defendants Elich and Miller, substantially similar to those contained in ¶ 18.

25. On February 4, 2014, BBSI issued a press release entitled, "BBSI Reports Fourth Quarter and Full Year 2013 Financial Results." Therein, the Company, in relevant part, stated:

**Q4 Net Revenues up 27% to \$144.5 Million; Non-GAAP Gross Revenues up 31% to \$779.3 Million**

Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the fourth quarter and full year ended December 31, 2013.

**Fourth Quarter 2013 Financial Highlights vs. Year-Ago Quarter**

Net revenues up 27% to \$144.5 million

Gross revenues up 31% to \$779.3 million

Net income was \$5.6 million, or \$0.74 per diluted share, compared to \$5.8 million, or \$0.80 per diluted share

Excluding \$5.1 million, or \$3.1 million after tax, for an increase in workers’ compensation reserve, net income was \$8.7 million

Excluding \$0.42 per diluted share for the increase to workers’ compensation reserve, diluted earnings per share was \$1.16

**Fourth Quarter 2013 Financial Results**

Net revenues in the fourth quarter of 2013 increased 27% to \$144.5 million compared to \$113.7 million in the fourth quarter of 2012. The increase was due primarily to the continued build in the Company’s co-employed client count and same-store sales growth.

Total non-GAAP gross revenues in the fourth quarter of 2013 increased 31% to \$779.3 million compared to \$596.7 million in the fourth quarter of 2012 (see “Reconciliation of Non-GAAP Financial Measures” below).

In the fourth quarter of 2013, the Company recorded an additional increase to its self-insured workers’ compensation reserve of \$5.1 million, or \$3.1 million after tax, equating to \$0.42 per diluted share. The increase represents approximately 5% of the Company’s total workers’ compensation reserve and is a result of increased estimated reserves for prior year injury claims, primarily in the state of California.

1 Taking into account the effect of this expense, net income in the fourth quarter of  
 2 2013 was \$5.6 million compared to \$5.8 million in the year-ago quarter. Diluted  
 3 earnings per share in the fourth quarter of 2013 was \$0.74 compared to \$0.80 in  
 4 the year-ago quarter. Excluding the effect of the increase in workers'  
 5 compensation reserve, net income increased 50% to \$8.7 million and diluted  
 earnings per share increased 45% to \$1.16 in the fourth quarter of 2013.

6 At December 31, 2013, the Company's cash, cash equivalents, marketable  
 7 securities, as well as restricted securities totaled \$143.2 million, compared to  
 8 \$82.1 million at December 31, 2012. At December 31, 2013, the Company had no  
 outstanding borrowings on its revolving credit facility.

### 9 **Full Year 2013 Financial Results**

10  
 11 Net revenues in 2013 increased 32% to \$532.8 million compared to \$402.7  
 12 million in 2012. Total non-GAAP gross revenues in 2013 increased 35% to \$2.8  
 13 billion compared to \$2.1 billion in 2012. The increase was primarily attributable  
 14 to the previously discussed increase in net PEO clients and same-store sales  
 growth.

15 Net income in 2013 increased 36% to \$17.9 million compared to \$13.1 million in  
 16 2012. Diluted earnings per share increased 45% to \$2.42 compared to \$1.67 per  
 17 diluted common share in 2012.

### 18 **Management Commentary**

19 "In addition to record revenue and earnings growth in 2013, we accomplished  
 20 several important strategic initiatives during the year," said Michael Elich,  
 21 president and CEO of BBSI. "All clients have now transitioned to our new payroll  
 22 and data technology platform, which we expect will improve the quality and  
 23 consistency of BBSI's offering. We also continued to expand our infrastructure,  
 24 as we started 12 business units during the year with another 11 in development for  
 the first half of 2014. We also plan to open two new branches, one in San Luis  
 Obispo and a second in Reno, during 2014.

25 "BBSI remains well positioned for 2014 and beyond. Along with the maturation  
 26 of our infrastructure and internal talent, our referral network partners remain  
 27



strong. Going forward, we are focused on becoming a much larger company with a product offering that remains adaptable and predictable long-term.”

### **First Quarter 2014 Outlook**

For the first quarter of 2014, the Company expects gross revenues to increase at least 24% to between \$735 million and \$755 million compared to \$591.2 million in the first quarter of 2013. Diluted loss per common share in the first quarter of 2014 is expected to be between \$(0.45) and \$(0.50) compared to \$(0.36) in the first quarter of 2013. The Company historically incurs losses in the first quarter due to the higher effective payroll taxes at the beginning of each year.

26. On March 14, 2014, BBSI filed its Annual Report with the SEC on Form 10-K for the 2013 fiscal year. The Company’s Form 10-K was signed by Defendants Elich and Miller, and reaffirmed the Company’s financial results previously announced on February 4, 2014. The Form 10-K also contained required Sarbanes-Oxley certifications, signed by Defendants Elich and Miller, substantially similar to those contained in ¶ 18.

27. On April 29, 2014, BBSI issued a press release entitled, “BBSI Reports First Quarter 2014 Financial Results.” Therein, the Company, in relevant part, stated:

**Q1 Net Revenues Up 21% to \$135.1 Million; Non-GAAP Gross Revenues Up 23% to \$727.4 Million**

Barrett Business Services, Inc. (“BBSI” or the “Company”) (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the first quarter ended March 31, 2014.

***First Quarter 2014 Financial Summary vs. Year-Ago Quarter***

Net revenues up 21% to \$135.1 million

Gross revenues up 23% to \$727.4 million

Net loss was \$3.6 million, or \$(0.50) per diluted share, compared to a net loss of \$2.5 million, or \$(0.36) per diluted share

***First Quarter 2014 Financial Results***

1 Net revenues in the first quarter of 2014 increased 21% to \$135.1 million  
2 compared to \$111.6 million in the first quarter of 2013.

3 Total non-GAAP gross revenues in the first quarter of 2014 increased 23% to  
4 \$727.4 million compared to \$591.2 million in the first quarter of 2013 (see  
5 “Reconciliation of Non-GAAP Financial Measures” below). The increase was due  
6 primarily to the continued build in the Company’s co-employed client count and  
7 same-store sales growth, partially offset by the vetting of specific clients who no  
8 longer met certain performance criteria.

9 Net loss for the first quarter of 2014 was \$3.6 million, or \$(0.50) per diluted  
10 share, compared to a net loss of \$2.5 million, or \$(0.36) per diluted share, in the  
11 year-ago quarter. The Company historically incurs losses in the first quarter due  
12 to the higher effective payroll taxes at the beginning of each year.

13 At March 31, 2014, the Company’s cash, cash equivalents, marketable securities,  
14 and restricted securities totaled \$147.9 million compared to \$143.2 million at  
15 December 31, 2013. At March 31, 2014, the Company had no outstanding  
16 borrowings on its revolving credit facility.

### 17 *Management Commentary*

18 “BBSI’s 23% increase in gross revenues during the first quarter reflects our  
19 continued focus on delivering a management platform that is both predictable and  
20 adaptable in how it supports well-run companies over the long term,” said  
21 Michael Elich, president and CEO of BBSI. “Vital to this long-term model is a  
22 client vetting process which has driven our 90%-plus retention rate. Over the past  
23 several months, however, the size of clients that we ultimately determined did not  
24 fit our platform has been larger than in the past. By identifying and canceling  
25 clients who were utilizing a disproportionate level of BBSI resources, we expect  
26 to achieve a long-term increase in efficiencies and quality of operations, which  
27 will benefit remaining and future clients.

“This recent trend does not change our long-term view about our untapped market  
opportunity, the health of our client base and the strength of our referral network.  
In fact, we see it as more episodic and expect we will return to a higher pace of  
growth as we work to backfill lost revenues created by the vetting process. Given  
this view, we remain well-positioned to continue gaining market share and deliver  
another record year for our shareholders.”

1                    ***Second Quarter 2014 Outlook***

2  
3                    For the second quarter of 2014, the Company expects gross revenues to increase  
4                    at least 15% to between \$780 million and \$800 million compared to \$675.0  
5                    million in the second quarter of 2013. Diluted income per common share in the  
6                    second quarter of 2014 is expected to be between \$0.93 and \$0.98 compared to  
7                    \$0.80 in the second quarter of 2013.

8                    28.        On May 12, 2014, BBSI filed its Quarterly Report with the SEC on Form 10-Q  
9                    for the 2014 fiscal first quarter. The Company's Form 10-Q was signed by Defendant Miller,  
10                  and reaffirmed the Company's financial results previously announced on April 29, 2014. The  
11                  Form 10-Q also contained required Sarbanes-Oxley certifications, signed by Defendants Elich  
12                  and Miller, substantially similar to those contained in ¶ 18.

13                  29.        On July 29, 2014, BBSI issued a press release entitled, "BBSI Reports Second  
14                  Quarter 2014 Financial Results." Therein, the Company, in relevant part, stated:

15                  **Q2 Net Revenues Up 17% to \$151.1 Million Drives 23% Increase in Diluted  
16                  Earnings per Share to \$0.98**

17                  Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a  
18                  leading provider of business management solutions, reported financial results for  
19                  the second quarter ended June 30, 2014.

20                  ***Second Quarter 2014 Financial Summary vs. Year-Ago Quarter***

- 21                  • Net revenues up 17% to \$151.1 million
- 22                  • Gross revenues up 18% to \$798.4 million
- 23                  • Net income increased 24% to \$7.3 million
- 24                  • Diluted earnings per share increased 23% to \$0.98

25                  ***Second Quarter 2014 Financial Results***

26                  Net revenues in the second quarter of 2014 increased 17% to \$151.1 million  
27                  compared to \$128.8 million in the second quarter of 2013.

                  Total non-GAAP gross revenues in the second quarter of 2014 increased 18% to  
                  \$798.4 million compared to \$675.0 million in the second quarter of 2013 (see

1 “Reconciliation of Non-GAAP Financial Measures” below). The increase was due  
2 primarily to the continued build in the Company’s co-employed client count and  
3 same-store sales growth.

4 Net income in the second quarter of 2014 increased 24% to \$7.3 million  
5 compared to net income of \$5.9 million in the year-ago quarter. Diluted earnings  
6 per share in the second quarter of 2014 increased 23% to \$0.98 compared to \$0.80  
7 per diluted share in the year-ago quarter.

8 At June 30, 2014, the Company’s cash, cash equivalents, marketable securities,  
9 and restricted securities totaled \$146.1 million compared to \$143.2 million at  
10 December 31, 2013. At June 30, 2014, the Company had no outstanding  
11 borrowings on its revolving credit facility.

### 12 *Management Commentary*

13 “The growth in our business for the second quarter of 2014 is a direct result of  
14 BBSI’s continued brand maturation in the marketplace,” said Michael Elich,  
15 president and CEO of BBSI. “Complemented by healthy organic growth from our  
16 existing client base and strong referral channels, we continue to drive new  
17 business and maintain our high client retention rate.”

18 “Looking towards the second half of the year, BBSI remains well-positioned to  
19 deliver another strong year for our shareholders, despite the client backfilling  
20 process we have undertaken. We also continue to expand and invest in our  
21 infrastructure and internal talent, which we believe will help us ultimately support  
22 a much larger, more mature company.”

### 23 *Third Quarter 2014 Outlook*

24 For the third quarter of 2014, the Company expects gross revenues to increase at  
25 least 14% to range between \$870 million and \$890 million compared to \$764.1  
26 million in the third quarter of 2013. Diluted earnings per common share in the  
27 third quarter of 2014 is expected to range between \$1.30 and \$1.35 compared to  
\$1.21 in the third quarter of 2013. Diluted earnings per common share in the third  
quarter of 2013 included a positive impact of approximately \$0.08 per common  
share from a more favorable tax rate compared to the estimated tax rate for the  
third quarter of 2014.

30. On August 8, 2014, BBSI filed its Quarterly Report with the SEC on Form 10-Q for the 2014 fiscal second quarter. The Company's Form 10-Q was signed by Defendant Miller, and reaffirmed the Company's financial results previously announced on July 29, 2014. The Form 10-Q also contained required Sarbanes-Oxley certifications, signed by Defendants Elich and Miller, substantially similar to those contained in ¶ 18.

31. The statements contained in ¶¶ 17-30 were materially false and/or misleading when made because defendants failed to disclose or indicate the following: (1) that the Company under accrued its self-insured workers' compensation reserves; (2) that, as a result, the Company overstated its earnings; (3) that the Company lacked adequate internal and financial controls; and (4) that, as a result of the foregoing, Defendants' statements were materially false and misleading at all relevant times.

#### **Disclosures at the End of the Class Period**

32. On October 28, 2014, after the market closed, BBSI issued a press release entitled, "BBSI Reports Third Quarter 2014 Financial Results." Therein, the Company, in relevant part, stated:

#### **Q3 Net Revenues up 18% to \$175.0 Million; Non-GAAP Gross Revenues up 18% to \$900.2 Million**

Barrett Business Services, Inc. ("BBSI" or the "Company") (NASDAQ: BBSI), a leading provider of business management solutions, reported financial results for the third quarter ended September 30, 2014.

#### ***Third Quarter 2014 Financial Summary vs. Year-Ago Quarter***

- Net revenues up 18% to \$175.0 million
- Gross revenues up 18% to \$900.2 million
- Net loss was \$37.8 million, or \$(5.27) per diluted share, compared to net income of \$9.0 million or \$1.21 per diluted share

- 1 • Excluding \$80.0 million, or \$47.9 million after tax, for an increase in  
2 workers' compensation reserve, net income increased 20% to \$10.1  
3 million
- 4 • Excluding a \$6.62 per diluted share increase to the workers' compensation  
5 reserve, diluted earnings per share increased 19% to \$1.35
- 6 • Repurchased approximately 28,000 shares for an average price of \$39.95  
7 as part of its 3.0 million share repurchase program

### 8 ***Third Quarter 2014 Financial Results***

9 Net revenues in the third quarter of 2014 increased 18% to \$175.0 million  
10 compared to \$148.0 million in the third quarter of 2013.

11 Total non-GAAP gross revenues in the third quarter of 2014 increased 18% to  
12 \$900.2 million compared to \$764.1 million in the third quarter of 2013 (see  
13 "Reconciliation of Non-GAAP Financial Measures" below). The increase was due  
14 primarily to the continued build in the Company's co-employed client count and  
15 same-store sales growth.

16 In the third quarter of 2014, the Company recorded an additional increase to its  
17 self-insured workers' compensation reserve of \$80.0 million, or \$47.9 million  
18 after tax. The increase represents approximately 38% of the Company's total  
19 workers' compensation reserve, bringing the liability up to \$208.3 million at  
20 September 30, 2014.

21 Taking into account the effect of this expense, net loss in the third quarter of 2014  
22 was \$37.8 million compared to net income of \$9.0 million in the year-ago quarter.  
23 Diluted loss per share in the third quarter was \$(5.27) compared to diluted  
24 earnings per share of \$1.21 in the year-ago quarter. Diluted earnings per common  
25 share in the third quarter of 2013 included a positive impact of approximately  
26 \$0.08 per common share from a more favorable income tax rate. Excluding the  
27 effect of the increase in workers' compensation reserve, net income increased  
20% to \$10.1 million and diluted earnings per share increased 19% to \$1.35.

At September 30, 2014, the Company's cash, cash equivalents, marketable  
securities, and restricted securities totaled \$167.5 million compared to \$143.2

1 million at December 31, 2013. At September 30, 2014, the Company had no  
2 outstanding borrowings on its revolving credit facility.

3 During the third quarter, BBSI repurchased approximately 28,000 shares of its  
4 common stock for \$1.1 million, or an average price of \$39.95 per share. Since  
5 implementing a series of repurchase programs beginning in November 2006, the  
6 Company has repurchased approximately 1.9 million shares for an aggregate price  
7 of \$26.0 million. Approximately 1.1 million shares remain available under the  
8 current 3.0 million share repurchase program.

9 The Company's existing credit facility with its principal bank provides borrowing  
10 capacity of up to \$14.0 million. Management has entered into discussions with the  
11 bank to increase the borrowing capacity to meet the liquidity needs of the  
12 Company.

### 13 *Workers' Compensation Reserve Update*

14 In late 2013, BBSI initiated a reserve strengthening process on workers'  
15 compensation claims dated 2012 and prior. BBSI believes the strengthening  
16 process is having its intended effect, as 344 or 26% of strengthened claims have  
17 been closed in 2014 and the Company has realized \$3.4 million in credits to its  
18 reserves on these claims through September 30, 2014.

19 As part of the strengthening process, management initiated a reserve study and  
20 engaged the Willis Claims Audit Team. Willis reviewed 180 or about 14% of all  
21 strengthened claims drawn from a targeted population of 401, or 45% of what the  
22 Company has identified as having the highest probability of complexity. Willis  
23 concluded their study and rendered an opinion that the total strengthened reserves  
24 were more than 100% of their probable ultimate cost. Following completion of  
25 the study, the Company has engaged Willis as its independent actuary.

26 In mid-2013, BBSI also initiated a change in reserve practice encompassing three  
27 areas: placing dollars up more quickly on all claims; increasing claims team  
staffing; and paying and closing claims faster.

While the Company has reason to believe the reserve strengthening and change in  
practice are having the intended effect, these combined initiatives are causing  
disruption in the incurred and paid trends in the claims data during 2014, making  
it difficult for the Company's actuary to provide management with the best  
estimate of probable liability. With the additional \$80.0 million charge, BBSI



estimates its total liability for workers' compensation claims to be \$208.3 million. Over the next several quarters, BBSI expects to see the effects of its changes in practice normalize the claims data and provide a clearer indication of potential liability. The Company believes this strategy provides the most conservative approach to its reserving practices.

Related to the charge, management anticipates its loss accrual rate for workers' compensation claims to increase approximately 20 basis points or 5% of total workers' compensation expense on a go-forward basis.

### ***Management Commentary***

"We have every reason to believe that the workers' compensation data we have presented in the third quarter will normalize over time, proving that the strengthening process and change in practice have had the intended effect," said Michael Elich, president and CEO of BBSI. "Until then, we believe taking a conservative approach right now allows us to look forward and removes the obstacle of the unknowns within the model. We do not see this as inhibiting our ability to execute on the long-term plan for the company.

"Our third quarter results continue to be balanced by new client additions and strong growth from our existing client base. At 8.2%, same-store sales were at the upper end of our high-single digit expectations while we added 182 net new PEO clients in the quarter. These results reflect our continued focus on delivering a management platform that supports well-run companies over the long term as well as the maturity of BBSI's brand in the marketplace."

### ***12 Month Outlook***

BBSI expects gross revenues for the next 12 month period to increase approximately 18%. Included in this expectation is a high single-digit contribution from same-store sales growth as well as growth from new business consistent with current trends.

33. On this news, shares of BBSI declined \$26.18 per share, nearly 59%, to close on October 29, 2014, at \$18.28 per share, on unusually heavy volume.



**CLASS ACTION ALLEGATIONS**

34. Plaintiffs bring this action as a class action pursuant to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of a class consisting of all those who purchased BBSI's securities between February 12, 2013 and October 28, 2014, inclusive (the "Class Period") and who were damaged thereby (the "Class"). Excluded from the Class are Defendants and, at all relevant times, the officers and directors of the Company, members of their immediate families, their legal representatives, heirs, successors or assigns, and any entity in which Defendants have or had a controlling interest.

35. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, BBSI's securities were actively traded on the Nasdaq Stock Market (the "NASDAQ"). While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Millions of BBSI shares were traded publicly during the Class Period on the NASDAQ. As of July 31, 2014, BBSI had 7,177,725 shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by BBSI or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

36. Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

37. Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

38. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

1 (a) whether the federal securities laws were violated by Defendants' acts as  
2 alleged herein;

3 (b) whether statements made by Defendants to the investing public during the  
4 Class Period omitted and/or misrepresented material facts about the business, operations, and  
5 prospects of BBSI; and

6 (c) to what extent the members of the Class have sustained damages and the  
7 proper measure of damages.

8 39. A class action is superior to all other available methods for the fair and efficient  
9 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as  
10 the damages suffered by individual Class members may be relatively small, the expense and  
11 burden of individual litigation makes it impossible for members of the Class to individually  
12 redress the wrongs done to them. There will be no difficulty in the management of this action as  
13 a class action.

#### 14 **UNDISCLOSED ADVERSE FACTS**

15 40. The market for BBSI's securities was open, well-developed and efficient at all  
16 relevant times. As a result of these materially false and/or misleading statements, and/or failures  
17 to disclose, BBSI's securities traded at artificially inflated prices during the Class Period.  
18 Plaintiffs and other members of the Class purchased or otherwise acquired BBSI's securities  
19 relying upon the integrity of the market price of the Company's securities and market  
20 information relating to BBSI, and have been damaged thereby.

21 41. During the Class Period, Defendants materially misled the investing public,  
22 thereby inflating the price of BBSI's securities, by publicly issuing false and/or misleading  
23 statements and/or omitting to disclose material facts necessary to make Defendants' statements,  
24 as set forth herein, not false and/or misleading. Said statements and omissions were materially  
25 false and/or misleading in that they failed to disclose material adverse information and/or  
26 misrepresented the truth about BBSI's business, operations, and prospects as alleged herein.  
27

42. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiffs and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about BBSI's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiffs and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

#### LOSS CAUSATION

43. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

44. During the Class Period, Plaintiff and the Class purchased BBSI's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

#### SCIENTER ALLEGATIONS

45. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding BBSI, his/her control over, and/or

1 receipt and/or modification of BBSI's allegedly materially misleading misstatements and/or their  
 2 associations with the Company which made them privy to confidential proprietary information  
 3 concerning BBSI, participated in the fraudulent scheme alleged herein.

4 **APPLICABILITY OF PRESUMPTION OF RELIANCE**  
 5 **(FRAUD-ON-THE-MARKET DOCTRINE)**

6 46. The market for BBSI's securities was open, well-developed and efficient at all  
 7 relevant times. As a result of the materially false and/or misleading statements and/or failures to  
 8 disclose, BBSI's securities traded at artificially inflated prices during the Class Period. On  
 9 January 21, 2014, the Company's stock closed at a Class Period high of \$99.92 per share.  
 10 Plaintiff and other members of the Class purchased or otherwise acquired the Company's  
 11 securities relying upon the integrity of the market price of BBSI's securities and market  
 12 information relating to BBSI, and have been damaged thereby.

13 47. During the Class Period, the artificial inflation of BBSI's stock was caused by the  
 14 material misrepresentations and/or omissions particularized in this Complaint causing the  
 15 damages sustained by Plaintiffs and other members of the Class. As described herein, during the  
 16 Class Period, Defendants made or caused to be made a series of materially false and/or  
 17 misleading statements about BBSI's business, prospects, and operations. These material  
 18 misstatements and/or omissions created an unrealistically positive assessment of BBSI and its  
 19 business, operations, and prospects, thus causing the price of the Company's securities to be  
 20 artificially inflated at all relevant times, and when disclosed, negatively affected the value of the  
 21 Company stock. Defendants' materially false and/or misleading statements during the Class  
 22 Period resulted in Plaintiff and other members of the Class purchasing the Company's securities  
 23 at such artificially inflated prices, and each of them has been damaged as a result.

24 48. At all relevant times, the market for BBSI's securities was an efficient market for  
 25 the following reasons, among others:

26 (a) BBSI stock met the requirements for listing, and was listed and actively  
 27 traded on the NASDAQ, a highly efficient and automated market;

(b) as a regulated issuer, BBSI filed periodic public reports with the SEC and/or the NASDAQ;

(c) BBSI regularly communicated with public investors *via* established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) BBSI was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

49. As a result of the foregoing, the market for BBSI's securities promptly digested current information regarding BBSI from all publicly available sources and reflected such information in BBSI's stock price. Under these circumstances, all purchasers of BBSI's securities during the Class Period suffered similar injury through their purchase of BBSI's securities at artificially inflated prices and a presumption of reliance applies.

#### NO SAFE HARBOR

50. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the

1 speaker had actual knowledge that the forward-looking statement was materially false or  
 2 misleading, and/or the forward-looking statement was authorized or approved by an executive  
 3 officer of BBSI who knew that the statement was false when made.

#### 4 **FIRST CLAIM**

#### 5 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

#### 6 **(against all Defendants)**

7 51. Plaintiffs repeat and reallege each and every allegation contained above as if fully  
 8 set forth herein.

9 52. During the Class Period, Defendants carried out a plan, scheme and course of  
 10 conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing  
 11 public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and  
 12 other members of the Class to purchase BBSI's securities at artificially inflated prices. In  
 13 furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them,  
 14 took the actions set forth herein.

15 53. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made  
 16 untrue statements of material fact and/or omitted to state material facts necessary to make the  
 17 statements not misleading; and (iii) engaged in acts, practices, and a course of business which  
 18 operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to  
 19 maintain artificially high market prices for BBSI's securities in violation of Section 10(b) of the  
 20 Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the  
 21 wrongful and illegal conduct charged herein or as controlling persons as alleged below.

22 54. Defendants, individually and in concert, directly and indirectly, by the use, means  
 23 or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a  
 24 continuous course of conduct to conceal adverse material information about BBSI's financial  
 25 well-being and prospects, as specified herein.

26 55. These defendants employed devices, schemes and artifices to defraud, while in  
 27 possession of material adverse non-public information and engaged in acts, practices, and a

1 course of conduct as alleged herein in an effort to assure investors of BBSI's value and  
 2 performance and continued substantial growth, which included the making of, or the  
 3 participation in the making of, untrue statements of material facts and/or omitting to state  
 4 material facts necessary in order to make the statements made about BBSI and its business  
 5 operations and future prospects in light of the circumstances under which they were made, not  
 6 misleading, as set forth more particularly herein, and engaged in transactions, practices and a  
 7 course of business which operated as a fraud and deceit upon the purchasers of the Company's  
 8 securities during the Class Period.

9       56. Each of the Individual Defendants' primary liability, and controlling person  
 10 liability, arises from the following facts: (i) the Individual Defendants were high-level executives  
 11 and/or directors at the Company during the Class Period and members of the Company's  
 12 management team or had control thereof; (ii) each of these defendants, by virtue of their  
 13 responsibilities and activities as a senior officer and/or director of the Company, was privy to and  
 14 participated in the creation, development and reporting of the Company's internal budgets, plans,  
 15 projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and  
 16 familiarity with the other defendants and was advised of, and had access to, other members of the  
 17 Company's management team, internal reports and other data and information about the  
 18 Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants  
 19 was aware of the Company's dissemination of information to the investing public which they  
 20 knew and/or recklessly disregarded was materially false and misleading.

21       57. The defendants had actual knowledge of the misrepresentations and/or omissions  
 22 of material facts set forth herein, or acted with reckless disregard for the truth in that they failed  
 23 to ascertain and to disclose such facts, even though such facts were available to them. Such  
 24 defendants' material misrepresentations and/or omissions were done knowingly or recklessly and  
 25 for the purpose and effect of concealing BBSI's financial well-being and prospects from the  
 26 investing public and supporting the artificially inflated price of its securities. As demonstrated  
 27 by Defendants' overstatements and/or misstatements of the Company's business, operations,

1 financial well-being, and prospects throughout the Class Period, Defendants, if they did not have  
2 actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to  
3 obtain such knowledge by deliberately refraining from taking those steps necessary to discover  
4 whether those statements were false or misleading.

5 58. As a result of the dissemination of the materially false and/or misleading  
6 information and/or failure to disclose material facts, as set forth above, the market price of  
7 BBSI's securities was artificially inflated during the Class Period. In ignorance of the fact that  
8 market prices of the Company's securities were artificially inflated, and relying directly or  
9 indirectly on the false and misleading statements made by Defendants, or upon the integrity of  
10 the market in which the securities trades, and/or in the absence of material adverse information  
11 that was known to or recklessly disregarded by Defendants, but not disclosed in public  
12 statements by Defendants during the Class Period, Plaintiffs and the other members of the Class  
13 acquired BBSI's securities during the Class Period at artificially high prices and were damaged  
14 as the truth was revealed and BBSI's stock price declined.

15 59. At the time of said misrepresentations and/or omissions, Plaintiffs and other  
16 members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs  
17 and the other members of the Class and the marketplace known the truth regarding the problems  
18 that BBSI was experiencing, which were not disclosed by Defendants, Plaintiffs and other  
19 members of the Class would not have purchased or otherwise acquired their BBSI securities, or,  
20 if they had acquired such securities during the Class Period, they would not have done so at the  
21 artificially inflated prices which they paid.

22 60. By virtue of the foregoing, Defendants have violated Section 10(b) of the  
23 Exchange Act and Rule 10b-5 promulgated thereunder.

24 61. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and  
25 the other members of the Class suffered damages in connection with their respective purchases  
26 and sales of the Company's securities during the Class Period.  
27



**SECOND CLAIM**

**Violation of Section 20(a) of the Exchange Act  
(against the Individual Defendants)**

62. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

63. The Individual Defendants acted as controlling persons of BBSI within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

64. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

65. As set forth above, BBSI and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**PRAYER FOR RELIEF**

Plaintiffs pray for relief and judgment as follows:

A. determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

B. awarding compensatory damages in favor of Plaintiffs and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proved at trial, including interest thereon;

C. awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. such other and further relief as the Court may deem just, equitable, or proper.

**JURY TRIAL DEMANDED**

Plaintiffs demand a trial by jury of all issues so triable.

Dated: November 6, 2014

LAW OFFICES OF CLIFFORD A. CANTOR, P.C.

By: *s/ Cliff Cantor*, WSBA # 17893

627 208th Ave SE

Sammamish, WA 98074

Tel: (425) 868-7813

Fax: (425) 732-3752

Email: cliff.cantor@outlook.com

GLANCY BINKOW & GOLDBERG LLP

Lionel Z. Glancy

Robert V. Prongay

Casey E. Sadler

1925 Century Park E, Suite 2100

Los Angeles, CA 90067

Tel: (310) 201-9150

Fax: (310) 201-9160

THE WAGNER FIRM

Avi Wagner

1925 Century Park E, Suite 2100

Los Angeles, CA 90067

Tel: (310) 491-7949

Fax: (310) 491-7949

Counsel for Plaintiffs

**SWORN CERTIFICATION OF PLAINTIFF  
BARRETT BUSINESS SERVICES, INC. ("BBSI") SECURITIES LITIGATION**

I,                     Mitchell Arciaga                    , certify that:

1. I have reviewed the Complaint and authorized its filing.
2. I did not purchase securities of BBSI, the issuer that is the subject of this action, at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions in BBSI during the Class Period set forth in the Complaint are as follows:  
  
SEE THE ATTACHED CHART
5. I have not served as a representative party on behalf of a class under this title during the last three years.
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court, including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: 11/3/14  
10/30/14

  
\_\_\_\_\_  
Mitchell Arciaga

**Via Fidelity**

Run Date	Action	Symbol	Security Description	Security Type
09/26/2014	YOU BOUGHT	BBSI	BARRETT BUS SVCS INC	Cash
08/15/2014	YOU SOLD	BBSI	BARRETT BUS SVCS INC	Cash
04/10/2014	YOU BOUGHT	BBSI	BARRETT BUS SVCS INC	Cash
03/27/2014	YOU BOUGHT	BBSI	BARRETT BUS SVCS INC	Cash
03/21/2014	YOU BOUGHT	BBSI	BARRETT BUS SVCS INC	Cash
03/14/2014	YOU BOUGHT	BBSI	BARRETT BUS SVCS INC	Cash
03/06/2014	YOU SOLD	BBSI	BARRETT BUS SVCS INC	Cash
02/18/2014	YOU BOUGHT	BBSI	BARRETT BUS SVCS INC	Cash

Quantity	Price (\$)
300	40.19
-600	58.99
100	58.55
100	59.07
100	61.85
300	62.95
-300	69.03
300	63.22

**SWORN CERTIFICATION OF PLAINTIFF  
BARRETT BUSINESS SERVICES, INC. ("BBSI") SECURITIES LITIGATION**

I, Joseph Maselli, certify that:

1. I have reviewed the Complaint and authorized its filing.
2. I did not purchase securities of BBSI, the issuer that is the subject of this action, at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions in BBSI during the Class Period set forth in the Complaint are as follows:

Date	Type and Amount	Price
09/29/2014	Buy 200	\$40.8799

5. I have not served as a representative party on behalf of a class under this title during the last three years.
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court, including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: 11/3/14

Joseph Maselli  
Joseph Maselli

SWORN CERTIFICATION OF PLAINTIFF  
BARRETT BUSINESS SERVICES, INC. ("BBSI") SECURITIES LITIGATION

I, Vimal Mathimaran, certify that:

1. I have reviewed the Complaint and authorized its filing.
2. I did not purchase securities of BBSI, the issuer that is the subject of this action, at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions in BBSI during the Class Period set forth in the Complaint are as follows:  
  
Date: 9/16/14 Price: \$49.31 Number of shares: 23
5. I have not served as a representative party on behalf of a class under this title during the last three years.
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court, including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: 10/30/14

  
\_\_\_\_\_  
Vimal Mathimaran